Thinking smart about knowledge sharing
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A radical approach to radical innovation
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Close-tie entrepreneurial inspiration and business survival
By Jeroen P.J. de Jong

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Politics and perceptions in the demand for movies
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Sustainability bonuses: a credible sign of corporate responsibility?
By Paolo Perego

The business school that thinks and lives in the future
Close-tie entrepreneurial inspiration and business survival

By Jeroen P.J. de Jong

Some people start a business because they are inspired to do so by entrepreneurial relatives and friends. Is this positive? The assumption is that the more entrepreneurial their parents or close friends are, the more motivated they will be to emulate them and their success. However, start-up inspiration from entrepreneurial family or friends may not necessarily boost the chances of survival.

Desire to emulate
Many teachers and doctors are the sons and daughters of teachers and doctors. Similarly, business creation has been shown to run in the family – logically, the offspring of entrepreneurs should be motivated to emulate their parents’ example (and ditto for close entrepreneurial friends) and enjoy better opportunities to learn from such ties. However, the extra motivation and learning opportunities do not offer a guarantee of long-term business survival.

Recent analysis of 1,000 business founders in the Netherlands over the period 1994-2005 digs deeper into the issue. The study tests the long-term health of businesses against a series of variables, including the extent to which founders had close ties to entrepreneurs, whether the business venture was a takeover or a new creation, the time invested in the preparatory phase, and the amount of prior entrepreneurial experience.

Based on the data collected, entrepreneurs inspired by close ties to start their business prove no more or less likely to keep the business going. The desire to emulate the success of others, invest in a business not only for financial goals but also for interpersonal ones, and the ability to learn from the experience of others, do not have a positive or negative impact on the chances of business survival.

Determining success factors
The influence of inspiration from close ties depends on other variables. Firstly, founders inspired by close ties appear
to have a better chance of survival in
the event of an existing business being
taken over, as opposed to a brand new
one being created. Presumably, these
are family businesses taken over with
full consent of their parents – seem-
ingly an important prerequisite is to
learn from these ties and be successful
in the longer run.

Secondly, time investment is a key
element in ensuring the long-term suc-
cess and continued survival of a busi-
ness. Whilst the motivation to emu-
late others appears across the board,
only those entrepreneurs dedicating
more time to a business venture in
the start-up phase are more likely to
survive. Apparently, beyond emulat-
ing their family or friends, high time
investment signals high motivation
and better opportunities to learn ef-
effectively from their ties – having en-
trepreneurial ties is not enough, but
rather it is a combination of such ties
and hard work that matters.

The most telling statistic to emerge
from the data collected over the pe-
riod 1994-2005 is that whilst 30 per
cent of the businesses under scrutiny
were likely to survive, the probability
of survival rose to 64 per cent when
they were taken over by entrepreneurs
with close personal ties to business
creation, and who were prepared to
dedicate the necessary time at start-
up level.

Above all, this last finding under-
lines the key question in the debate
of what makes a successful entrepre-
neur – understanding their motivations
and the link between them and the way
they work. Having the desire to suc-
cceed is one thing, but the key lies in the
ability to assess and grasp the correct
conditions for prolonging long-term
business survival.

This article draws its inspiration from the
paper Founding a Business Inspired by Close
Family Ties: Does it Matter for Survival?
written by Jeroen P.J. de Jong and Orietta
Marsili and published online in the jour-
nal Entrepreneurship Theory and Practice,
December 2013. DOI: 10.1111/etap.12086.

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Beware serial entrepreneurs
A third and final finding is that serial
founders are much less likely to sur-
vive. “If at first you do not succeed, try
and try again” is a frequently quoted
adage in many walks of life, including
business. All professionals should be
allowed to make mistakes, learn from
them, and apply their experiences. This
is true for the sample under investi-
gation, but not for entrepreneurs who
wish to keep emulating their entrepre-
neurial ties after a previous failure.

Rather than learning from opportu-
nities, repeated efforts to become an
entrepreneur after failure indicate a
lack of competency. Whilst such cases
should not be considered as lacking the
motivation to succeed upon each busi-
ness creation, they can nevertheless be
viewed as being less able to learn from
previous mistakes and therefore lack-
ing some of the vital competences to
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